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National Community Stabilization Trust

May 15, 2019

Greetings from our new president, innovative Single Room Occupancy program story, Opportunity Zones policy update, conference recap, and more!

Greetings from the New NCST President

by Julia Gordon, NCST

"Alone, we can do so little; together, we can do so much."
Helen Keller

As I begin my new role as NCST's new president, I find myself reflecting on the power of working together.

Our own organization is the perfect example. An idea initially hatched by multiple housing organizations and financial institutions identifying a shared problem and a potential shared solution, the fledgling group received initial funding from six different nonprofits.

A decade later, in addition to our original sponsors and our REO seller partners, we have hundreds of local partners. While we're extremely diverse in geography, size, and scope of activity, all are united in our mission of stabilizing neighborhoods, preventing blight, and offering opportunities for affordable homeownership and rental. Over the past decade, we have moved over 26,000 properties from blight to productive use. While there is much more to do, this is still an astonishing number, and the work has made a real difference for our neighborhoods.

In this spirit, I'm extremely excited to step into the leadership position at NCST. During my three and a half years with the organization, I've developed meaningful relationships with many of you: our fantastic staff, our seller partners, our funders, and many of our buyers. In the weeks and months to come, I hope to connect with far more buyers and other community stakeholders as we work together to craft a vision for NCST's next chapter.

Because I think working together is easiest when we get to know each other, I'd like to share a little bit about myself. I'm an attorney by training, with a background in civil legal aid. In early 2007, I joined the Center for Responsible Lending to fight predatory mortgages, where I quickly found myself at the epicenter of national policy efforts to prevent foreclosures. After the Dodd-Frank Act passed, I wanted to stay where the action was, so I went to the Federal Housing Finance Agency, where I supervised a team of analysts overseeing Fannie Mae and Freddie Mac single-family policies. But in government, I missed the energy and pace of the nonprofit world, and ultimately joined the Center for American Progress as the senior director of housing and consumer finance issues. When Rob Grossinger took the helm at NCST in 2015, he persuaded me to come along for yet another adventure.

In my new role, I'll be leading a group effort to map the future of NCST as conditions on the ground in our communities continue to change and evolve. The financialization of housing, along with the proliferation of so-called "proptech" companies, are reshaping America's housing markets. While some of these developments show promise for helping disinvested neighborhoods, the vast majority are much more likely to exacerbate growing inequities. Meanwhile, even as REO inventory flow has declined steeply, vacant properties – mostly investor-owned – continue to blight too many communities and keep the supply of affordable homes too low for demand.

Consequently, NCST will need to add more tools to our toolbox to support the critical work of rehabbing distressed residential properties. We will need to become more flexible, nimble and responsive to these market changes. At the same time, we will continue to be a voice in the community development field calling for homeownership and single-family issues to be part of the revitalization conversation. As always, we will leverage our unique blend of policy expertise and on-the-ground experience to do so.

Last but not least, even as markets and strategies change, NCST will maintain our firm commitment to partnerships – public and private, local and national, policy and practice – pursuing a shared mission of supporting vital, healthy, affordable neighborhoods.

Together, we can do so much.

Julia Gordon is the President of NCST.

Buyer Spotlight
Hyacinth House: Affordable Homeownership Foundation's New Single Room Occupancy Program

by Racquel Reddie, NCST

The saying that "all good things come to those who wait" couldn't be truer for those individuals that got to move into Hyacinth House, their newly constructed Single Room Occupancy (SRO) home created and managed by the Affordable Homeownership Foundation (AHF). The lot that Hyacinth House was built on was part of the Wells Fargo donation program, administered by NCST. A grand opening event took place in March 2019.

According to Lois Healy, AHF's CEO, the SRO project started as a concept to try and address the affordable housing issue of helping people with disabilities find a safe and affordable place to live. AHF had previously tried a shared housing approach using a duplex model, but putting individuals together who don't know each other can be a challenge. AHF spent much of its time and energy trying to get people to live together without arguments.

With a unique opportunity to develop more in-home programs at Hyacinth House, AHF provides an additional onsite case manager who visits weekly with the individuals to help with budgeting and general living conditions. They help the individuals learn how to cook for themselves, change light bulbs and take care of their individual rooms that include their own bathroom and bedroom and mini kitchenettes.

As AHF assembled the necessary funding to support this project, they also focused on how to make this opportunity work for four individuals who did not know each other but would have to live together under one roof while still maintaining their own independent living space. Each SRO dwelling is 700 square feet with additional common areas, including a kitchen, to help provide a social community for its occupants. The project was built on a focus of providing individual independent living space that was ADA compliant and affordable over the long term. The units are rented to each of the four occupants.

With a focus on veterans as well as people with continuum of care needs, Affordable Homeownership Foundation created several partnerships to support their SRO project. They partnered with the Center for Independent Living Gulf Coast to find the individuals that could live successfully in this unique housing arrangement. Other partners included the Kellogg Foundation that provided grant funds to support the SRO project, Tobler Construction, Cornerstone Ministries along with Lee County Human & Veteran's Services and Lee County's Housing Authority that provided funds through its Mainstream Voucher program in addition to HOME/SHIP funds for individuals at 30% of the Area Median Income.

AHF's comprehensive and hands-on approach is a key reason for the overall success of a program that encourages cohabitation with individuals who have various disabilities and limitations. It will be exciting to continue to follow the story of how a lot on Hyacinth Street has become home to four unique and independent individuals.

Affordable Homeownership Foundation is a nonprofit 501(c)3 organization established in 2000 to provide comprehensive housing counseling, training, advocacy, technical assistance and housing opportunities for low-to-moderate income homebuyers, homeowners and tenants. AHF participates in the development, preservation, and management of affordable, program enriched housing in the Fort Myers, Florida region.

Many thanks to Lois Healy, CEO/Affordable Homeownership Foundation for her assistance in preparing this feature story. Check out their video here.

Racquel Reddie serves as the Managing Director - Community Development for

NCST.

The construction process:

The finished home:

Policy Corner
New Opportunities for Input on Opportunity Zones

by Theodora Chang, NCST

Washington, DC is currently living out the old adage of "when it rains, it pours" – both in its spring weather patterns and its regulatory activity. Six months after the last release of proposed Opportunity Zones regulations, the federal government has released multiple Opportunity Zones-related documents totaling nearly 200 pages, with deadlines for public comment ranging from the end of May to mid-July. Here's what those of us in the single-family housing space need to know in order to respond, with each opportunity for input listed in order of deadline:

1) Department of Treasury – Request for Information (RFI) on Data Collection and Tracking for Qualified Opportunity Zones
Document Number 2019-08076
Written comments are due by **May 31, 2019,** and can be submitted via regulations.gov at this link.

This RFI solicits public input specifically about proposed changes to Form 8996 and its Instructions, both of which are currently in draft form. Qualified Opportunity Funds (QOFs) would use this form to report the amount of assets in the fund and the percentage of those assets that are invested in qualified Opportunity Zone properties. The public is invited to provide detailed input on Form 8996 as well as more general input on the kind of data that would be useful for tracking the impact of Opportunity

Zones.

2) Department of Housing and Urban Development (HUD) – Review of HUD Policy in Opportunity Zones Request for Information (RFI)
Docket No. FR-6155-N-01
Written comments are due by **June 17, 2019,** and can be submitted via regulations.gov at this link.

This RFI follows the release of Executive Order 13853, which created the White House Opportunity and Revitalization Council and designated HUD Secretary Carson as its Chair. HUD is inviting the public to respond to broad questions on the ways in which existing HUD programs (examples are listed in the RFI) and authorities can be used to further the mission of Opportunity Zones.

3) Department of Treasury – Notice of Proposed Rulemaking & partial withdrawal of a previous Notice of Proposed Rulemaking
[REG-120186-18]; RIN 1545-BP04
Written comments are due by **July 1, 2019,** and can be submitted via regulations.gov at this link.

Unlike the previous two documents, this notice is over one hundred pages and covers numerous Opportunity Zone topics. Here are two of the most relevant sections for single family housing:

· **"Original Use" requirement**
In order for tangible property (such as a single family home) to qualify as an Opportunity Zone property, it must satisfy either the "original use" requirement or "substantial improvement" requirement. In the statute, the definition of a "Qualified Opportunity Zone Business Property" includes a requirement that "…the original use of such property in the qualified opportunity zone commences with the qualified opportunity fund or the qualified opportunity fund substantially improves the property…" Details about the "substantial improvement" requirement were laid out in the proposed regulations released in October 2018 but regulatory clarification around the "original use" requirement as it relates to tangible property is new. According to this recently released notice, "[t]he Treasury Department and the IRS are proposing that where a building or other structure has been vacant for at least five years prior to being purchased by a QOF or qualified opportunity zone business, the purchased building or structure will satisfy the original use requirement. Comments are requested on this proposed approach, including the length of the vacancy period and how such a standard might be administered and enforced."

NCST thinks that requiring properties to be vacant for a minimum of five years in order to qualify as "original use" creates a risk of exacerbating the challenging conditions that already exist with REO. Research has shown links between property vacancy and crime and violence, negative community health outcomes, fire risk, and neighborhood property values. The longer a property sits vacant, the more likely it is to negatively impact its surrounding community in these ways. We recommend that the Treasury Department consider a significantly shorter timeframe than five years for vacant properties to qualify under the "original use" requirement, but also include other requirements to ensure that parties do not vacate properties for the purpose of qualifying. If you would like to participate with us in developing a specific recommendation, please reach out.

We also recommend that Treasury provide a regulatory definition of "vacant" since the Census, USPS, and municipalities, among other entities, each define the term differently. As the GAO's Example Timeline of the Foreclosure Process and Potential Periods of Vacancy (Figure 5) illustrates, there are varying points along the foreclosure process when a property could become vacant, which impacts its eligibility to meet the original use requirement.

- **QOF Reinvestment Rule**

After the passage of the tax law, there was a major question about whether Qualified Opportunity Funds (QOF) would invest in single-family rehab and resale because under the statute, investors must hold their investment for ten years in order to realize the greatest gains. While they can also realize lesser benefits for holding their investment for a period of five or seven years, single-family developers with a resale goal usually aim to rehab and resell within a time period that is much shorter than five years. The new proposed regulations address this issue, providing that "proceeds received by the QOF from the sale or disposition of…qualified opportunity zone business property…are treated as qualified opportunity zone property for purposes of the 90 percent investment requirement…so long as the QOF reinvests the proceeds received by the QOF from the distribution, sale or disposition of such property during the 12-month period beginning on the date of such distribution, sale or disposition. The one-year rule is intended to allow QOFs adequate time in which to reinvest proceeds from qualified opportunity zone property." In a hypothetical situation with investors and a QOF that funds the acquisition, rehab, and resale of single-family properties, the QOF could sell a home and have 12 months to reinvest the proceeds into the acquisition and rehab of another home. If the QOF did not reinvest the proceeds within 12 months (assuming it did not hold any other assets), it would have to pay capital gains taxes. If it wanted to maximize investor benefits under Opportunity Zones, it could repeat the acquisition, rehab, and resale process several times within a ten-year time period. Based on NCST's experience with typical acquisition timeframes, we believe that 12 months is a reasonable timeframe for reinvesting the proceeds from a home sale.

- For more information on the other provisions in the proposed regulations, check out the summary provided by the Economic Innovation Group.

NCST plans to submit a comment or join a coalition letter for all three of these opportunities for input. If you have questions or wish to discuss further, please email Theo Chang: tchang@stabilizationtrust.org

Additionally, Senators Booker (D-NJ) and Scott (R-SC) and Reps. Kelly (PA-16) and Kind (WI-03) have been working on legislation to institute the reporting requirements that were found in the original conference report but not included in the statute at passage. The text of S.1344 has been released and it is expected that the text of H.R. 2593 will be similar.

Theo Chang serves as a Senior Policy Associate for NCST.

Industry Conference Recap
NACEDA's People & Places 2019

by Kathy Carter, NCST

Trying to hold thoughtful discussions in DC – a city that's undergone intense changes - about increasing opportunities for low-moderate income neighborhoods amidst a backdrop of luxury apartments and an assorted number of trendy restaurants, cafes and bars is no small feat! But from April 15-17, I joined community development professionals from across the country at the National Alliance of Community and Economic Development Association's (NACEDA) People & Places 2019 Conference to focus in on successful strategies and policies that support the betterment of low-income people and disinvested neighborhoods.
The People & Places 2019 conference was held in nearby Crystal City, VA and had a diverse group of attendees, including community organizers, academics, policymakers, small business owners, artists, financial institutions, and advocates from various housing and economic development organizations.

Conference Highlights
This year's conference theme was "*Exploring Local Solutions to Advance Community Prosperity and Racial Equity,*" and featured over 30 workshops and sessions across 4 tracks: Equitable Development, Vehicles for Investment, Community Economies and Capacity Building. NCST President Julia Gordon moderated a panel discussion on "*Homeownership Strategies in Blighted Communities*" where panelists shared information about local best practices in single family rehabilitation. The session also provided attendees with an overview of the Neighborhood Homes Investment Act, a proposed tax credit for the rehabilitation of distressed single family properties.

Memorable Moments
I'm glad that I had the opportunity to attend the conference and connect, learn and share with so many amazing people. One of my favorite sessions featured panelists from the Center for Community Progress and Grounded Solutions Network who shared how innovative partnerships between Community Land Trusts and land banks are helping address the affordable housing crisis. I currently work with two land bank community buyers in the Pittsburgh area with whom I'll definitely share these useful strategies.

Another top highlight for me was a standing room-only session that featured a dynamic panel including leading racial economic inequality expert Dedrick Asante-Muhammad. It was terrific how the panelists invited the audience into a close-knit conversation on "conscious community development" and its impact on racial and economic inequality. As a black woman working in predominately minority disinvested neighborhoods – longstanding issues around race and wealth injustice are always ever-present. This honest and open dialogue truly helped to raise awareness of how we as community development professionals must be intentional in our work, as well as center the voices and experiences of the people we seek to serve in order to truly achieve the best outcomes for our communities.

Overall, the People & Places 2019 conference – one of the most diverse and inclusive community development conferences in the country – was a great experience and highlight of my year so far.

Kathy Carter serves as the Community Development Manager - Northeast/Mid-Atlantic Region for NCST.

- NCST president Julia Gordon speaks with NCST board member Paul Singh at People & Places.

Industry News

- Small Mortgages Are Getting Harder To Come By

(Julia Gordon quoted)
https://www.wsj.com/articles/small-mortgages-are-getting-harder-to-come-by-11557394201?mod=searchresults&page=1&pos=1

- The Federal Government Failed Homeowners. How Much Blame Does Julian Castro Deserve?

(Julia Gordon quoted)
https://www.huffpost.com/entry/julian-castro-housing-policy-foreclosure_n_5cbde8c1e4b032e7cebb3daf

- Preserving Affordable Housing By Buying, Not Building

(features two of our NCST buyers)
https://shelterforce.org/2019/02/19/preserving-affordable-housing-by-buying-not-building/?utm_source=sfweekly&utm_medium=email&utm_campaign=040919

- HUD Moves To Limit Public Housing Aid For Undocumented Immigrants

https://www.nytimes.com/2019/04/17/us/politics/hud-public-housing-immigrants.html

- Zero Down Payment Loans Are Now Available For Real Estate Investors

https://www.housingwire.com/articles/48921-zero-down-payment-loans-are-now-available-for-real-estate-investors

- These 10 Cities Are On The Brink Of A Housing Crisis In 2019

https://www.forbes.com/sites/andrewdepietro/2019/04/16/cities-negative-equity-housing-crisis-2019/#49e385947189

Staff, Phone or Email Changes?

NCST Community Buyers: Had a recent staff change? Or updated your email address or phone number? Please alert our Buyer Team to any changes so they can update your records. To participate in our purchasing programs, it's very important we have the correct contact information for you and your team.

Please email updates to: Buyer@StabilizationTrust.org.

NCST Email Addresses

Sending an email to an NCST team member? Please include the team email box. This ensures a timely response to your email in case your primary contact is out of the office.

- Desk@ StabilizationTrust.org - property transaction questions and assistance
- ReoTrack@ StabilizationTrust.org - post-closing questions and assistance
- Buyer@ StabilizationTrust.org - questions about program guidelines, target areas, and additional programs
- NewBuyer@ StabilizationTrust.org - for more information about becoming an NCST buyer

About NCST: The National Community Stabilization Trust (NCST) is a non-profit organization that works to restore vacant and abandoned properties to productive use and protect neighborhoods from blight. Our programs facilitate the rehabilitation of vacant but structurally sound homes, enable safe, targeted demolition when necessary, and support creative and productive re-use of vacant land.

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